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FISCAL IMPACT STATEMENT

LS 6633

BILL NUMBER: HB 1846

NOTE PREPARED: Feb 25, 2005

BILL AMENDED: Feb 24, 2005

SUBJECT: Football Stadium Funding.

FIRST AUTHOR: Rep. Espich

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *Riverboat Wagering Tax*: The bill increases the tax rate on wagering revenue in excess of \$150,000,000 from 35% to 36% and allocates \$8,000,000 annually to a new football stadium in Marion County.

Marion County Local Taxes: The bill permits Marion County for the purposes of financing a new football stadium to: (1) increase the rate of the County Supplemental Auto Rental Excise Tax from 2% to 4%; (2) increase the rate of the Innkeeper's Tax to 9%; (3) impose an additional \$10 County Admissions Tax on admissions to a new football stadium; (4) impose a 2% Professional Sports Team Excise Tax on professional teams that use a new football stadium; and (5) impose a Luxury Suite Tax on the rental of luxury suites in a football stadium.

Special License Plate: The bill requires the Bureau of Motor Vehicles to issue one or more Capital Improvement Board Team License Plates to fund a new football stadium in Marion County.

Marion County Professional Sports and Convention Development Area (PSCDA): Increases the annual amount of state revenue that may be captured by a Professional Sports Development Area in Marion County from \$5,000,000 per year to \$12,000,000 per year.

The bill also makes other changes.

Effective Date: July 1, 2005.

Explanation of State Expenditures: (Revised) *Special License Plate*: The potential expenditures involved

with this proposal will depend upon the number of colors used and the number of plates produced. PEN Products (Prison Enterprises Network), the manufacturing and sales arm of prison-made products, charges the Bureau of Motor Vehicles (BMV) and other groups petitioning for the creation of a new license plate(s). These charges consist of:

- (1) \$3.80 per plate (flat plate).
- (2) \$4.50 per multi-colored flat plate.
- (3) \$450 one-time set-up. This includes plate set-up by PEN graphic designer.
- (4) PEN Products can prepare, but it is not required, camera artwork for the newly created plate at an hourly rate of \$45.

The funds affected are the PEN Products Revolving Fund and the Motor Vehicle Highway Account, which supports the BMV.

Department of State Revenue (DOR): The DOR would incur additional administrative expenses relating to collection and monitoring of new taxes for Marion County. Since these taxes would only apply in Marion County, the DOR's current level of resources should be sufficient to undertake these responsibilities.

Explanation of State Revenues: (Revised) *Riverboat Wagering Tax:* The bill increases the Riverboat Wagering Tax rate from 35% to 36% on annual AGR (received from July 1st to June 30th) exceeding \$150 M. The rate increase is effective beginning July 1, 2008. This increase is estimated to generate \$13.9 M in FY 2009 and \$14.3 M in FY 2010. From FY 2009 to FY 2041, the first \$8 M generated by the rate increase is to be distributed annually to Marion County to pay new Colts stadium construction and equipping costs. The remainder of the revenue generated by the rate increase is to be distributed to the Property Tax Replacement Fund. The remainder would total \$5.9 M in FY 2009 and \$6.3 M in FY 2010. Beginning in FY 2042, all revenue from the rate increase would be distributed to the PTRF. Under current statute, the Riverboat Wagering Tax is imposed according to the following graduated schedule on adjusted gross wagering receipts (AGR) earned from July 1st to June 30th.

Annual AGR	Incremental Tax Rate
\$0 to \$25 M	15%
\$25 M to \$50 M	20%
\$50 M to \$75 M	25%
\$75 M to \$150 M	30%
Over \$150 M	35%

Special License Plate: The proposal establishes a fee of \$25 for the Capital Improvement Board Team License Plates. While the potential revenue from the sales of the newly created license plates is not known, in CY 2003, revenue from the sale of special recognition license plates fell within a range of \$5,475 for the sale of 219 Mental Health Trust plates to \$1,712,200 for the sale of 68,488 Heritage Trust license plates. Revenue from the sales of the license plates are to be deposited into the Capital Improvement Board Professional Sports Trust Fund, established by the bill. As a special recognition plate, there also is a \$15 supplemental fee, with \$6 deposited into the Motor Vehicle Highway Account, which supports the BMV, and \$9 of the fee is deposited

into the State License Branch Fund, which supports the 168 state license branches. In CY 2003, revenue from the \$15 supplemental fee fell within a range of \$3,285 for the sale of the 219 Mental Health Trust license plates to \$1,027,320 for the 68,488 Heritage Trust license plates.

The Commissioner of the BMV is required to administer the Capital Improvement Board Professional Sports Trust Fund. The Fund is non-reverting, and expenses of administering the Fund are to be paid from the Fund. The State Auditor is required to distribute money in the Fund to the Marion County Capital Improvement Board each month. The Capital Improvement Board is to deposit the money into a special fund. Money in the special fund may be used only for payment of obligations relating to a capital improvement that is used for professional football events, including the financing or refinancing of such a capital improvement or the payment of lease payments for such a capital improvement.

Marion County Professional Sports and Convention Development Area (PSCDA): The bill extends the term of the Marion County PSCDA from 2027 to 2040. This allows Marion County to capture state individual Adjusted Gross Income (AGI) Tax and Sales and Use Tax revenue in the PSCDA for an additional 13 years. The bill also increases the annual capture limit on AGI and Sales and Use Taxes collected in the PSCDA from \$5 M to \$12 M beginning in 2008. This will reduce individual AGI Tax and Sales and Use Tax collections to the state by \$5 M in FY 2008 and \$7 M per year beginning in FY 2009. Individual AGI Tax and Sales and Use Tax collections in the Marion County PSCDA exceeded the \$5 M capture limit by \$3.89 M in FY 2002, \$4.2 M in FY 2003, and \$5.5 M in FY 2004. Assuming currently forecast growth rates for income (averaging between 4% and 5%), it is estimated that income tax collections in the PSCDA will be sufficient in FY 2009 for Marion County capture the additional \$7 M under the new capture limit.

Currently, the Marion County PSCDA includes Conseco Fieldhouse, the Indiana Convention Center, the RCA Dome, Victory Field, and the Colts' practice facility. These captured state and local tax collections are utilized for debt payments relating to Conseco Fieldhouse.

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) The total estimated revenue impact of the bill to Marion County (in millions of dollars) is summarized in the table below.

Source	FY 2007	FY 2008	FY 2009	FY 2010
State Transfers:				
Riverboat Wagering Tax	0	0	8.0	8.0
Special License Plate	Indeterminable	Indeterminable	Indeterminable	Indeterminable
Professional Sports & Convention Dev. Area	0	5.0	7.0	7.0
Marion County Taxes:				
Supplemental Auto Rental Excise Tax*	1.8	1.8	1.8	1.8
Innkeeper's Tax*	9.9	9.9	9.9	9.9
County Admissions Tax**	0	0	6.3	6.3
Luxury Suite Tax**	0	0	1.0	1.0
Professional Sports Team Excise Tax**	0	0	0.25	0.25
Total	11.7	16.7	34.3	34.3

*Assumes the stadium will open in Fall, 2008.

**Assumes tax rate increases are enacted in 2005 or 2007, effective beginning in FY 2007.

Riverboat Wagering Tax: The bill provides for an annual distribution of \$8 M from the Riverboat Wagering Tax beginning in FY 2009 and ending in FY 2041 to Marion County for new Colts stadium construction costs. (See details about the Wagering Tax increase under Explanation of State Revenues.)

Marion County Professional Sports and Convention Development Area (PSCDA): The bill extends the term of the Marion County PSCDA from 2027 to 2040. This will extend capture of Food and Beverage Tax and COIT collections within the PSCDA for use on PSCDA projects. Current statute provides for the capture of Food and Beverage Tax and COIT collections within the PSCDA. Approximately \$159,000 in Food and Beverage Tax was captured by the PSCDA in FY 2004. In CY 2003, about \$466,000 in COIT collections were captured for the Marion County PSCDA.

In addition, the bill increases capture limit for state individual AGI Tax and Sales and Use Tax collected in the PSCDA from \$5 M to \$12 M beginning in 2008. This could potentially increase state tax revenue captured by the PSCDA by \$5 M in FY 2008 (due to the January 1, 2008, effective date) and \$7 M per year beginning in FY 2009.

Currently, the Marion County PSCDA includes Conseco Fieldhouse, the Indiana Convention Center, the RCA Dome, Victory Field, and the Colts' practice facility. These captured state and local tax collections are utilized for debt payments relating to Conseco Fieldhouse.

Marion County Local Taxes: Supplemental Auto Rental Excise Tax: The bill increases the maximum tax rate in Marion County from 2% to 4%, and requires the revenue attributable to the rate increase to be used to pay new Colts stadium construction and equipping costs. The bill provides for this maximum through December 31, 2040. Currently, the tax is imposed at a rate of 2%. The tax is imposed on the gross retail income received from the rental of an automobile or truck weighing less than 11,000 pounds for a period of less than 30 days

in Marion County. Revenue from the tax is distributed to the Marion County Capital Improvement Board. The 2% tax generated about \$1.83 M in FY 2004, and has generated an average of about \$1.86 M annually since FY 2001.

Innkeeper's Tax: The bill increases the maximum tax rate in Marion County from 6% to 9%, and requires the revenue attributable to the rate increase to be used to pay new Colts stadium construction and equipping costs. The bill provides for this maximum through December 31, 2040. After that, the rate will decrease to 5%. The tax is imposed on gross income from lodging income. Revenue from the tax is distributed to the Marion County Capital Improvement Board. The 6% tax generated about \$19.7 M in FY 2004, and has generated an average of about \$19.2 M annually since FY 2001.

County Admissions Tax: The bill authorizes Marion County to impose an additional Admissions Tax of up to \$10 per admission to specified events held at the new Colts stadium. The bill requires the revenue from the additional tax to be used to pay new Colts stadium construction and equipping costs. The additional tax would apply to professional sporting events, events sponsored by educational institutions, and events sponsored by nonprofit organizations (not including religious organizations). At \$10 per admission, the tax on Colts games could generate \$6.3 M annually. This assumes a 63,000 seat stadium and 10 games per year. The yield from the tax could increase to the extent that NFL playoff games and other taxable sporting and non-sporting events are held at the new stadium. The potential impact from the tax on other events is currently indeterminable. As more information becomes available, the fiscal note will be updated. Assuming a Fall 2008 stadium opening, the tax could begin generating revenue in FY 2009.

Luxury Suite Tax: The bill authorizes Marion County to impose a tax on the rental of luxury suites at the new Colts stadium. The bill specifies that the rate may be imposed such that when it is applied to all luxury suite rentals it reasonable likely not to generate more than \$1 M annually. The tax expires after 2040. The bill requires the revenue from the tax to be used to pay new Colts stadium construction and equipping costs.

Professional Sports Team Excise Tax: The bill authorizes Marion County to impose a 2% excise tax on income of Colts players and other personnel, and the income of visiting team players and other personnel, attributable to the days the team uses the new Colts stadium. Generally, the excise tax base is computed by multiplying total income of the taxpayer by the ratio of: (1) the number of days during the taxable year the taxpayer renders services to a team in the new Colts stadium; to (2) the number of days during the taxable year that a taxpayer renders services to a team. It is estimated that this tax could potentially generate \$250,000 annually. The estimate is based on 2003 NFL team payrolls including salary amounts, but not bonus amounts. The NFL median was used to determine taxes from visiting teams. While bonus amounts are reported in the database used for the estimate, insufficient information is available to determine whether the bonuses would be taxable so they are excluded from the estimate. It is assumed that the Colts and visiting teams combined would have 10 stadium days, and the total days during the year for which services are rendered by players and other personnel is assumed to be 170.

State Agencies Affected: Bureau of Motor Vehicles, Department of State Revenue, State Treasurer.

Local Agencies Affected: Marion County, Marion County Metropolitan Development Commission, Marion County Capital Improvement Board.

Information Sources: LSA, *Indiana Handbook of Taxes, Revenues, and Appropriations, FY 2004*. Sandy Althouse, Department of State Revenue, (317) 232-4263. Revenue Technical Committee Forecast, December

14, 2004. *USA Today*, NFL salaries database, <http://www.asp.usatoday.com>.

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